

Financial Report
OF
GEO. A. HORMEL & COMPANY
AUSTIN, MINNESOTA
for the
Fiscal Year Ended October 31, 1964



FIVE YEAR REVIEW

(In thousands of dollars)

	1964	1963	1962	1961	1960
Sales	\$411,827	\$393,740	\$384,742	\$384,145	\$372,276
Net Earnings	5,725	2,965	3,062	3,147	4,533
Wage Costs	79,743	74,509	73,581	71,574	71,291
Total Taxes	6,477	4,922	4,211	4,814	6,233
Depreciation	2,527	2,508	2,353	2,400	2,186
Properties (net) ..	26,988	22,376	20,663	19,345	19,159
Working Capital..	25,768	26,329	29,152	30,281	27,934
Stockholders'					
Investment	52,868	48,818	47,527	46,138	42,400

<i>Sales tonnage</i> (million pounds)	1,272	1,171	1,093	1,094	1,122
<i>Net earnings to:</i>					
Sales	1.4%	.8%	.8%	.8%	1.2%
<i>Sales tonnage</i> (cwt.)	45¢	25¢	28¢	29¢	40¢
<i>Per share earnings</i> <i>on common stock</i> (adjusted)	\$4.79	\$2.48	\$2.56	\$2.63	\$3.79

Austin, Minnesota
December 7, 1964

To the Stockholders of
Geo. A. Hormel & Company

The net earnings of Geo. A. Hormel & Company for the fiscal year which ended October 31, 1964, (53 weeks) were \$5,724,527 as compared to \$2,964,659 in 1963 — an increase of \$2,759,868. These earnings were \$4.79 on each share of common stock. Last year, they were \$2.48 a share.

Dollar sales, after returns and allowances, attained an all-time high of \$411,827,498, an increase of \$18,087,675, or 4.6% over last year.

Sales tonnage was 1,272,495,015 pounds, an increase of 101,608,233 pounds, or 8.7% over a year ago — also a new high for the Company.

Net profit was 1 4/10 cents per dollar of sales and 45 cents per hundredweight of product sold.

The increase in earnings and in physical volume is primarily attributable to an improved forecasting program in marketing, production, cost controls and profit, to a more constant supply of livestock, and to the earning power of investments made during the more recent years in facilities and equipment. The willing assistance of Austin employees to help develop cost factor adjustments at the Austin, Minnesota, plant in order to bring its operation around to a more nearly competitive position in the industry was vitally important.

The working capital of the company was \$25,768,011. The sum of cash, government securities, and accounts receivable exceeded all liabilities by \$2,828,129.

The investment in capital improvements and additions during the year was \$7,023,394, the largest in the history of the Company. After retirements and adjustments, the net addition to capital assets was \$5,806,769. These investments, substantial in amount, provide much-needed and modern production and marketing facilities. At Austin, Minnesota, a completely new sausage factory has been substantially finished; a new factory for the production of cans by the American Can Company started operation; a unique cooking tower for canned meats, known as the Stork Hydrostatic Cooker, imported from Holland, was installed and operates in conjunction with the can manufacturing facilities; and an administrative office building was completed shortly after the close of the year. The new processing plant at Los Angeles, California, was dedicated on April 15, 1964. An on-the-rail beef kill, a Re-Seal sausage manufacturing line, a vacuum packaging line for frankfurters, and additional cooler space were constructed at the Fremont, Nebraska, plant. Depreciation for the year was \$2,526,723.

The stockholders' investment in the Company at the end of the year was \$52,868,258, an increase of \$4,050,659 over a year ago. Dividend distributions for the year were \$1,673,869, consisting of four quarterly dividends of 35 cents a share on common stock, or a total dividend payment of \$1.40 on each share. The Company has paid dividends for 36 consecutive years. On November 16, 1964 (after the close of the fiscal year), an extra dividend of 20 cents a share was declared payable on December 15, 1964, to stockholders of record on December 5, 1964.

Payment and provision for all taxes for the year amounted to \$6,476,812.

The sum of \$3,250,010 was provided for current and past services of the Employee Pension Trusts. This amount, together with distributions in prior years to the Profit-Sharing Trust and the Pension Trusts makes

a total of \$28,991,877 allocated to the employee retirement program.

The Joint Earnings made available to eligible employees for the year was \$1,595,778. Since the beginning of this plan, 26 years ago, the sum of \$26,502,323 has been provided for employees.

The total sum allocated to the employee retirement program and the Joint Earnings plan, since their beginning, amounts to \$55,494,200.

The final installment of \$1,200,000 on the term loan of the Company was paid during the year. The Company had no money borrowed from banks at the end of the fiscal year.

Under agreements negotiated in 1961, cost-of-living increases of 3 cents an hour on January 6, 1964, and 1 cent an hour on July 6, 1964, were put in effect. Agreements negotiated during the latter part of the fiscal year with Unions representing Company employees, following the industry pattern, established a wage increase of 6 cents an hour effective September 7, 1964, and a like increase of 6 cents an hour to be effective on September 1, 1965, and September 1, 1966. In addition, substantial increases become applicable for the pension, life insurance, hospitalization, and medical plans. As a result of these agreements, it is estimated that the Company's obligation for current services only under the pension program will be increased approximately \$414,300 each year. The unfunded pension debt for past services, brought into being by these recent agreements, is estimated to be in excess of \$10,000,000.

The Company continues to advertise its principal products on a national basis, with intensive support in selected areas.

Substantial progress has been made in designs and labels on our products and packages. Changes in the type of letters and colors have been molded into our labels, trade-marks and trade names to give them more distinction and character and to develop a stronger corporate image.

Present estimates indicate a small decrease in the supply of hogs during the coming year, which situation should result in an improvement in hog prices. The supply of cattle is expected to continue strong. With producers marketing animals at lighter weights, with a predicted advance in the annual domestic consumption of beef to 100 pounds per person, and with an increase in disposable income, the outlook for the beef industry appears to be more favorable than in recent years.

The Board of Directors amended the Geo. A. Hormel & Company Exempt Employees Pension Plan to include as participants the employee-directors of the Company. The determination of pension benefits payable to these people is to be under the same formula and subject to the same eligibility and other requirements that exist for all other persons under the plan. This action of the Board is to be submitted to the stockholders for ratification at the annual meeting on December 22, 1964.

James L. Olson, Vice President and Director of the Company for many years, retired in September, 1964. John R. Jones, Vice President and Manager of the Hog Abattoir Division for years, retired in October, 1964.

With the improvement in our production and marketing facilities, and with the continuing allegiance of all HORMEL people, Management expects the new year to be one of further growth and development.

Again, we extend our sincere appreciation for the support and cooperation of our employees, our customers, our livestock producers, and our stockholders.

H. H. COREY
Chairman of the Board

R. F. GRAY
President

GEO. A. HORME

Statement of Financial Position

October 31, 1964

CURRENT ASSETS

Cash	\$ 5,450,768	
United States Government securities—at cost which approximates market	6,650,548	
Accounts receivable, less allowance of \$100,000	17,127,637	
Inventories of products, livestock, packages and materials—at lower of cost (principally first-in, first-out) or market	22,674,716	
Prepaid insurance and other expenses	265,166	
Total Current Assets		\$52,168,835

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$22,584,964	
Dividend payable November 15	418,467	
Federal taxes on income—estimated	3,397,393	
Total Current Liabilities		26,400,824

WORKING CAPITAL \$25,768,011

INVESTMENTS—at cost 112,500

PROPERTY, PLANT AND EQUIPMENT

on the basis of cost

Buildings (\$23,264,795) and equipment ..	\$55,159,683	
Less allowances for depreciation	28,950,307	
	<u>\$26,209,376</u>	
Land	778,371	26,987,747

STOCKHOLDERS' INVESTMENT \$52,868,258

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Statement of Stockholders' Investment

CAPITAL STOCK

(At October 31, 1964)

Preferred Stock, par value \$100 a share:

Authorized 50,000 shares

Issued and outstanding—none

Common Stock, par value \$7.50 a share:

Authorized 1,600,000 shares

Issued and outstanding 1,195,621 shares .. \$ 8,967,157

Additional paid-in capital 1,945,088 \$10,912,245

EARNINGS REINVESTED IN BUSINESS

Balance October 27, 1963 \$37,905,355

Net earnings for the year 5,724,527

\$43,629,882

Deduct cash dividends on common stock—

\$1.40 a share 1,673,869

Balance October 31, 1964 41,956,013

TOTAL STOCKHOLDERS' INVESTMENT \$52,868,258

STATEMENT OF EARNINGS

Fiscal Year (53 Weeks) Ended October 31, 1964

SALES (less returns and allowances)		\$411,827,498	
Other income		222,462	
		<u>\$412,049,960</u>	
COSTS, EXPENSES AND TAXES			
(\$354,391,086 applicable to cost of products sold)			
Cost of products sold, selling, delivery, administrative and general expenses, exclusive of items shown separately	\$317,422,475		
Wage costs:			
Wages and salaries including joint earnings ..	\$70,956,740		
Pension trust contributions (unfunded past service cost estimated at \$19,320,00 over next 23 years)	3,250,010		
Federal and state unemployment and old age contributions	1,669,128		
Group life, hospitalization and sick leave	3,867,461	79,743,339	
Provision for depreciation		2,526,723	
Interest		156,084	
Taxes:			
State income, property and other taxes	\$ 1,968,631		
Federal taxes on income (estimated)	4,508,181	6,476,812	406,325,433
NET EARNINGS		<u>\$ 5,724,527</u>	

ACCOUNTANTS' REPORT

To the Stockholders and Board of Directors

Geo. A. Hormel & Company

Austin, Minnesota

We have examined the statements of financial position of Geo. A. Hormel & Company as of October 31, 1964, and the related statements of earnings and stockholders' investment for the year (53 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position, earnings and stockholders' investment present fairly the financial position of Geo. A. Hormel & Company at October 31, 1964, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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Minneapolis, Minnesota

November 25, 1964

OFFICERS

H. H. Corey	-	-	-	-	-	-	-	Chairman of the Board
R. F. Gray	-	-	-	-	-	-	-	President
M. B. Thompson	-	-	-	-	-	-	-	Executive Vice President
Heilman Allen	-	-	-	-	-	-	-	Vice President
R. D. Arney	-	-	-	-	-	-	-	Vice President
Harold Butler	-	-	-	-	-	-	-	Vice President
Bruce Corey	-	-	-	-	-	-	-	Vice President
E. H. Flitton	-	-	-	-	-	-	-	Vice President
E. J. Garrity	-	-	-	-	-	-	-	Vice President
Geo. W. Ryan	-	-	-	-	-	-	-	Vice President and Treasurer
Fayette Sherman	-	-	-	-	-	-	-	Vice President
I. J. Holton	-	-	-	-	-	-	-	Secretary
R. F. Potach	-	-	-	-	-	-	-	Controller
R. C. Dougherty	-	-	-	-	-	-	-	Assistant Secretary
E. C. Alsaker	-	-	-	-	-	-	-	Assistant Treasurer
R. H. Biedermann	-	-	-	-	-	-	-	Assistant Controller

DIRECTORS

R. D. Arney							
	Bruce Corey						
		H. H. Corey					
			R. F. Gray				
				I. J. Holton			
					James C. Hormel		
O. L. Marquesen							
	Gordon Murray						
		Geo. W. Ryan					
			Fayette Sherman				
				M. B. Thompson			

